

Message Text

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62

ACTION EUR-25

INFO OCT-01 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-02 INR-09 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-14 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 SAL-01 OMB-01 GAC-01

IO-13 ACDA-19 RSR-01 /198 W
----- 013303

R 091834 Z MAR 73
FM AMEMBASSY BONN
TO SECSTATE WASHDC 3794
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMEMBASSY BRUSSELS
AMEMBASSY LUXEMBOURG
AMEMBASSY DUBLIN
AMEMBASSY COPENHAGEN
USMISSION EC BRUSSELS
USMISSION BERLIN
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMEMBASSY MOSCOW
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL STUTTGART

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E. O. 11652: GDS
TAGS: ETRD, EEC, GW, GE
SUBJ: EC COUNCIL DISCUSSES INNER- GERMAN TRADE

REF: A. EC BRUSSELS 1193; B. BONN A-83

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1. SUMMARY: DURING ITS MARCH 5-6 MEETING, THE EC COUNCIL EXCHANGED VIEWS ON INNER- GERMAN TRADE. THE GERMAN POSITION WAS FIRMLY EXPLAINED-- I. E., THE PRINCIPLE OF INNER- GERMAN TRADE IS SANCTIFIED IN THE SPECIAL PROTOCOL TO THE ROME TREATY; THE BASIC TREATY BETWEEN THE TWO GERMANY'S DID NOT AFFECT THIS SPECIAL TRADING RELATIONSHIP; SPECIFIC CASES OF TRADE INJURY, SHOULD SUCH ARISE, WILL BE DISCUSSED WITH A VIEW TOWARD A MUTUALLY SATISFACTORY SOLUTION; AND INNER- GERMAN TRADE DOES NOT VIOLATE THE EC' S COMMON COMMERCIAL POLICY. THE OTHER COUNCIL MEMBERS BASICALLY ACCEPTED THE GERMAN POSITION, ALTHOUGH SEVERAL REQUESTED THE COMMISSION TO EXAMINE THE POSSIBILITY FOR BETTER CONTROL MEASURES TO ENSURE THAT GDR GOODS ARE NOT TRANSHIPPED THROUGH THE FRG TO THE OTHER EC STATES. THE DUTCH COMPLAINED OF THE NATIONAL EXPENSE ASSOCIATED WITH AGRICULTURAL EXPORTS TO THE GDR SINCE THE COMMON AGRICULTURAL POLICY (I. E. EXPORT RESTITUTIONS) WAS NOT APPLICABLE TO THIS TRADE. THE CONVERSATIONS CONFIRMED GERMAN BELIEFS THAT THE PRINCIPLE OF CONTINUING INNER- GERMAN TRADE HAD BEEN ACCEPTED BY THE ENLARGED EC (REFAIR B). END SUMMARY.

2. ACCORDING TO THE GERMAN REPORTING CABLE ON THE SESSION, FRG STATE SECRETARY APEL FORCEFULLY AND PERSUASIVELY EXPLAINED THE GERMAN VIEW. HE STATED THAT THE INNER- GERMAN TRADE PROTOCOL IS AN INTEGRAL PART OF THE ROME TREATY AND THAT THIS SPECIAL TRADING ARRANGEMENT BETWEEN THE TWO GERMANY'S WOULD CONTINUE WITHOUT RESTRICTIONS. HE CONTENDED THAT CLAIMS OF IRREGULARITIES CONNECTED WITH THE SPECIAL TRADE CHANNEL WERE GREATLY EXAGGERATED, BUT INDICATED THAT THE FRG WAS READY TO TREAT POSITIVELY ACTUAL PROBLEMS THAT WERE BROUGHT TO ITS ATTENTION; IT WOULD NOT, HOWEVER, PERMIT THE PRINCIPLE OF INNER- GERMAN TRADE TO BE QUESTIONED OR AGREE TO EC CONTROL OR SUPERVISION OF THIS TRADE. APEL REFUTED CLAIMS THAT OTHER EC MEMBERS HAD BEEN DISADVANTAGED ECONOMICALLY BY THIS TRADE BY CITING STATISTICS TO SHOW THAT BETWEEN 1958-1971 FRG/ GDR TRADE ONLY TRIPLED WHILE GDR TRADE WITH OTHER EC MEMBERS INCREASED FIVE TIMES. WHILE ANTICIPATING THAT VARIOUS EC STATES' TRADE WITH THE GDR WILL CONTINUE TO DEVELOP BILATERALLY, HE SAW NO PROBLEM WITH THE EC OF EIGHT SIGNING A SINGLE TRADE AGREEMENT WITH THE GDR. SUCH AN AGREEMENT EXCLUDING ONE EC MEMBER HAD A PRECEDENT: LIMITED OFFICIAL USE

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THE IAEA EURATOM VERIFICATION AGREEMENT TO WHICH FRANCE IS NOT

A PARTY.

3. THE OTHER EC DELEGATES REPORTEDLY ACCEPTED THE GERMAN VIEWS ON THE PRINCIPLE OF INNER- GERMAN TRADE AND DID NOT DISPUTE APEL' S OTHER MAJOR CONTENTIONS. DUTCH FOREIGN MINISTER SCHMELZER DID COMPLAIN ABOUT THE EXPENSE TO THE DUTCH TREASURY CAUSED BY THE FACT THAT DUTCH EXPORTS TO THE GDR ARE NOT SUBJECT TO THE REGULATIONS OF THE COMMON AGRICULTURAL POLICY, AND THUS MUST BE NATIONALLY SUBSIDIZED RATHER THAN SUPPORTED BY EC FUNDS. DUTCH IMPORTS FROM THE GDR BRING IN VARIABLE LEVY FUNDS, BUT THE OUTGO SUBSTANTIALLY EXCEEDS THE INFLOW, HE REPORTEDLY SAID. SCHMELZER ALSO CONTENDED THAT EC RELATIONS WITH THE GDR HAD TO BE WORKED OUT IN ACCORDANCE WITH IS OVERALL POLICY TOWARD EASTERN EUROPE, BUT ADMITTED THAT ANY COMMUNITY SOLUTION MUST NOT CALL THE SPECIAL FRG POSITION INTO QUESTION. ALONG WITH THE FRENCH AND ITALIAN SPOKESMEN, THE DUTCH ASKED THE COMMISSION TO EXAMINE MEASURES FOR CONTROLLING ANY IRREGULARITIES THAT MIGHT DEVELOP IN THE INNER- GERMAN TRADE. THE DANES AND BELGIANS DECLARED THEY HAD NO OBJECTIONS TO THIS TRADE.

4. THE COMMISSION WILL EXAMINE THE INNER- GERMAN TRADE REGULATIONS AND PRACTICE TO DETERMINE IF CONTROL MEASURES ARE REQUIRED. ITS IDEAS WILL BE PRESENTED TO THE NEXT COUNCIL MEETING. WHILE THE GERMANS DID NOT OBJECT TO THIS EXAMINATION, STATE SECRETARY APEL MADE IT CLEAR THAT THE FRG REGARDED EC- ADMINISTERED CONTROLS AND ORIGIN REQUIREMENTS AS NEITHER NECESSARY NOR ACCEPTABLE. HILLENBRAND

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